

# HAFETZ NECHELES & ROCCO

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April 10, 2012

VIA EMAIL AND ECF

Carolyn Pokorny, Esq.  
Roger Burlingame, Esq.  
Todd Kaminsky, Esq.  
United States Attorney's Office  
Eastern District of New York  
271 Cadman Plaza East  
Brooklyn, New York 11201

Re: *United States v. Pedro Espada, Jr., et al.*, 10-CR-985 (FB)

Dear Ms. Pokorny,

We write this letter to confirm what the government alleges in this case was the tax fraud.

Prior to indictment, the government gave us a chart which you represented contained the allegations that formed the basis of the tax charges. This chart, bates stamped Jan2012004331, alleged that Espada failed to properly declare income regarding the following:

- American Express Personal Charges
- CEDC Personal Expenses
- Miscellaneous Thefts
- Unreported Income – Incorrect W-2 Employee Legal Fees
- Unreported Income – Incorrect W-2 American Express Expenses
- Unreported Gain – Sale of Business Property
- Material Misstatement of Capital Loss in Regal Realty

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Our understanding based on statements that you have made to us in court and in written submissions is that you no longer intend to introduce evidence in this case concerning the allegations that Espada (1) failed to report income regarding the employee legal fees that he paid, (2) failed to report income regarding the sale of alleged business property, or (3) made a material misstatement of capital loss regarding Regal Realty.

Based on the above we assume that the government is offering Pedro Espada, Jr.'s 2005 personal tax return and testimony by James Hurley relating thereto only for the following purpose: to show W-2 income from CCDC and to show that no additional income was reported for Amex personal charges or for income for personal expenses relating to CEDC. If the government seeks to argue any tax issues other than above, please let us know so that we may object accordingly as we have been given no notice of any other claims.

Furthermore, we do not understand the purpose of the Hurley ledgers. As far as we are aware they did not go to Marks Paneth & Shron and were never filed anywhere.

Finally, please confirm that the only tax charges related to "American Express Personal Charges" are composed of allegations laid out in GX 20a; the only tax charges related to "CEDC Personal Charges" are composed of allegations laid out in GX 151(a); and that the only tax charges related to "Miscellaneous Thefts" are composed of allegations laid out in GX 20j.

Very truly yours,

By: /s/Susan R. Necheles  
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